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1989/06/27

SECRET

EXCISE

22

SECRETARY'S MORNING SUMMARY FOR JUNE 27, 1989

G1, A5E

1. CHINA

A. TIT FOR TAT ON SANCTIONS

IS/FPC/CDDH H/DZ Date: 8/30/93

<input type="checkbox"/> RELEASE	<input type="checkbox"/> DECLASSIFY	MR Cases Only:
<input checked="" type="checkbox"/> EXCISE	<input type="checkbox"/> DECLASSIFY	EO Clearance
<input type="checkbox"/> DENY	<input type="checkbox"/> IN PART	
<input type="checkbox"/> DELETE Non-Responsive Info		
FOIA Exemptions		
PA - Exempt		

TS Authority to
Downgrade to: (S or C OADR)

(SECRET/NOFORN/NOCONTRACT/ORCON)

B. TRADE DEFICIT GROWS

CHINA'S EXPORTS STAGNATED IN THE FIRST FIVE MONTHS OF THE

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YEAR, WHILE IMPORTS GREW AT AN ANNUALIZED RATE OF 24 PERCENT, ACCORDING TO EMBASSY BEIJING. CHINA'S TRADE DEFICIT HAD CLIMBED TO US DOLS 4.7 BILLION BY MAY, MORE THAN FOUR TIMES THE DEFICIT FOR THE COMPARABLE PERIOD LAST YEAR.

COMMENT: THE RECENT TURMOIL AND THE EFFECTS OF RETRENCHMENT POLICIES WILL PROBABLY RESULT IN CONTINUED STAGNATION IN EXPORTS THIS YEAR, AND TOURISM REVENUES WILL PROBABLY DROP CONSIDERABLY. BUT IMPORTS ARE SURGING, MAINLY TO SATISFY DEMAND FOR BASIC INDUSTRIAL MATERIALS.

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2. CHINA:

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3. CHINA: POLICY SIGNALS

PEOPLE'S DAILY EDITORIALS AND THE COMMUNIQUE OF THE JUST-

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COMPLETED PARTY PLENUM EVIDENCE CONTINUING DISAGREEMENT OVER WHETHER TO GIVE PRIORITY TO COMBATING "BOURGEOIS LIBERALISM" OR ECONOMIC REFORM. BUT STATEMENTS ON FOREIGN POLICY ARE CONSISTENT, ESCHEWING ANTI-WESTERN INVECTIVE AND AFFIRMING THE IMPORTANCE OF THE OPEN POLICY.

PURGE

THE PLENUM COMMUNIQUE OF JUNE 24, AND A PARTY-NEWSPAPER EDITORIAL A DAY EARLIER, HIGHLIGHTED THE NEED TO PURGE ZHAO ZIYANG AND HIS SUPPORTERS AND REASSERT PARTY IDEOLOGICAL AND ORGANIZATIONAL CONTROLS. THE COMMUNIQUE ALSO ASKED FOR ECONOMIC RETRENCHMENT TO "IMPROVE" ECONOMIC REFORM AND ADDRESSED COMPLAINTS ABOUT CORRUPTION AND ILLEGALITY IN PARTY LEADERSHIP.

BOTH STATEMENTS DENIGRATED THE DEMOCRACY ACTIVISTS AND THEIR ALLEGED POLITICAL BACKERS AND DEFENDED THE CRACKDOWN BY PARTY AND ARMY HARD-LINERS. DENG AND OTHER PARTY ELDERS GOT CREDIT FOR DECISIVE ACTION TO CHECK THE COUNTERREVOLUTION. A MAJOR PURGE OF THE BUREAUCRACY WAS URGED IN THE GUISE OF A POLITICAL CAMPAIGN AGAINST BOURGEOIS LIBERALIZATION. CAVEATS ON THE NEED TO FOLLOW LEGAL PROCEDURES AND AVOID REGRESSION IN REFORM WERE WEAK.

REFORM

A PEOPLE'S DAILY EDITORIAL ON JUNE 25 BRIEFLY REITERATED THE NEED FOR IDEOLOGICAL WORK AND PARTY BUILDING, BUT

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DEPICTED THE PURGE OF OFFICIALS AND STEPPED-UP ATTENTION TO PARTY DISCIPLINE AS MEANS TO THE MORE IMPORTANT GOAL OF ADVANCING DENG XIAOPING'S REFORM PROGRAM "EVEN MORE COURAGEOUSLY AND FREELY." IT WARNED THAT IMMEDIATE UNDER-TAKINGS MUST NOT LEAD TO A SLACKENING OF REFORM EFFORTS, CONFINEMENT OF PEOPLE'S THINKING, SUBJECTING THE ECONOMY TO RIGID CONTROLS, REVIVAL OF OLD IDEOLOGIES AND SYSTEMS, OR THE BLOCKING OF CHANNELS TO OTHER COUNTRIES.

"MISGIVINGS" ABOUT REFORM

THE EDITORIALS JUST BEFORE AND JUST AFTER THE PLENUM MIGHT BE READ AS TWO HALVES OF AN AGREED POSITION, BUT THE LACK OF BALANCE IN THE COMMUNIQUE ITSELF IS NOTEWORTHY. DOCUMENTS NOW BEING CIRCULATED FOCUS ALMOST ENTIRELY ON IDEOLOGICAL THEMES, WITHOUT REFERENCE TO CONTINUING REFORM. THE MOST RECENT EDITORIAL OPENLY ADMITTED THE EXISTENCE OF "MISGIVINGS" ABOUT WHETHER THE REFORM PROGRAM SHOULD CONTINUE IN THE WAKE OF RECENT EVENTS.

DENG XIAOPING'S SPEECH OF JUNE 9, WHICH SET THE THEMES FOR THE PLENUM AND THE EDITORIALS, SEEMED TO BE TRYING TO DEFINE A CENTRIST POSITION TO REBUILD LEADERSHIP CONSENSUS. BUT MEDIA PLAY AND LEADERS' COMMENTS ON HIS SPEECH BEFORE THE PLENUM VARIED SIGNIFICANTLY, REFLECTING

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GREATER CONSISIENCY ON FOREIGN POLICY
CONTENDING FACTIONS IN THE DEZATE OVER DOMESIIC POLICIES
SEEM TO AGREE ON THE NEED FOR CONSISTENCY AND CONTINUITY
IN FOREIGN POLICY.

BIA'S

THE PLENUM COMMUNIQUE ASSERTED THE CENTRAL COMMITTEE'S
CONVICTION THAT FRIENDLY TIES WITH ALL COUNTRIES WOULD
CONTINUE TO DEVELOP AND AVOIDED ANTI-WESTERN INNUENDO AND
CRITICISM OF THE UNITED STATES THAT CONTINUES TO APPEAR
IN NON-AUTHORITATIVE MEDIA. THE JUNE 25 EDITORIAL WAS
EFFUSIVE IN EMPHASIZING THE CENTRALITY TO CHINA'S FUTURE
OF OPENING THE COUNTRY AND LEARNING EVERYTHING USEFUL
FROM ALL COUNTRIES. [CONFIDENTIAL]

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